

# **Sustainable label and governance of global value chain: insights from coffee value chains in Latin American countries**

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During the last decades, the private standards has been of raising importance in the agro-food sector, the raise of private standards, as new governance mechanisms, has influence on the structure and *modus operandi* of supply chains (Henson et Reardon, 2005) and raised many debates regarding their impacts on the farmers (especially small farmers) or on environment (especially for eco-labeling).

In this debates, Coffee agro-food system has been largely analyzed, as so-called sustainable coffee demand experimented a rapid growth in the last 2 decades (Ponte, 2002; Pierrot *et al.*, 2010), leading to the development of a wide range of private standards focusing on social and/or environmental features (Raynolds *et al.*, 2007; Soto et Le Coq, 2011). Authors described and compared the governance these new coffee standards (Muradian et Pelupessy, 2005; Raynolds *et al.*, 2007) and analyzed the implication of their raise on the governance of the coffee global value chain (Ponte, 2002; Ponte, 2004; Giovannucci et Ponte, 2005; Muradian et Pelupessy, 2005). Other authors analyzed more specifically the process of adoption private standards and their impact on producers, especially in Latin American countries where the development of coffee certification was particularly noticeable<sup>4</sup> (Barham et Weber; Kilian *et al.*, 2006; Soto *et al.*, 2010; Barham *et al.*, 2011). Recently, regarding the process of diffusion of private standards in producing countries, authors show that the national condition matters in the adoption process (Manning *et al.*, 2011).

In line with this literature, this communication aims at exploring the relationships between private standard diffusion, institutions and public policies in the case of coffee labels in Latin American countries.

Based on the analysis of secondary data and direct interviews to stakeholders of the coffee sectors in five Latin American countries (Costa Rica, Nicaragua, Guatemala, Salvador and Colombia), we argue that the pace and pattern of development of private standards depends on existing value chain structures and national institutions, which is the results of historical dynamics and public policies. In turns, we argue that the effects of sustainable standards development on the governance of the value chain depend on existing structure and policy context in producers' countries.

## **Conceptual framework, material and method**

Global value chain (GVC) has been proposed as a concept to capture the different functions from production to consumption of good. Global value chain concept enables to capture relationships of power between actors among international value chain, and led to distinguish between demand-driven and producer-driven (global) governance of value chain (Gereffi, 1994). Further, to better grasp the (micro) governance of value chain, Gereffi *et al.* (2005) proposed a typology of governance according to the complexity of the transfer of information and knowledge involved by the transactions within the chain, the level of codification of this information, and the capacity of the suppliers to meet the requisites of the transaction. They identified 5 types of governance: market, modular, relational, captive, and hierarchical.

Following Porras et Salazar (2013), we tend to balance between these two approaches of GVC governance (macro and micro) to grasp the governance of coffee GVC and implication of the raise of the sustainable coffee demand on value chain in producers' countries.

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4. Nowadays, 76% sustainable coffee come from Latin American producing countries, where as only providing 59% of conventional coffee (regional team latin america, 2011).

We first reviewed academic literature regarding coffee value chain and sustainable labels, as well as non-published materials and reports to capture the structure and trends of evolution of coffee sectors in the selected Latin American countries. Then, we carried out on between 2010 and 2015 national case-studies of the coffee national value chain in these countries. These case studies were aiming at identifying and characterizing types of actors involved in the national coffee value chain with a specific insight on national and transnational actors. Direct interviews to the different actors (traders, millers, producer's organizations) of the national value chain were conducted to capture their strategy of regarding marketing and sustainability labels adoption, and the trend of evolutions of their relationships. Additionally, a desk review of policy and legal documents and interviews to public administrations and organizations leaders involved in the regulation of the national value chain was implemented to capture the institutional framework in which coffee value chain evolved. Finally, interviews to actors involved in services supply to the direct value chain actors as well as sustainable label promoters and certification agencies were conducted. This information was analyzed to defined the strength and weaknesses of national value chain regarding in the adoption process of sustainability labels.

Finally, a comparison of national case studies has been carried out to identify the key factors (including political, institutional, actors' strategies) that enable or limit the sustainable labels adoption, and explained the changes in the governance of national coffee value chains.

## Results

### *Sustainability label: the strengthening of demand driven global governance of coffee GVC*

The analysis of dynamic of development of sustainability label (such as UTZ certified, Fair Trade, -CAFÉ Practice, 4C, Nespresso AAA, Rainforest Alliance) in the national coffee value chain in selected countries shows that these labels have been promoted by international trade firms upstream toward the national producers and national producers countries. These raise of sustainability label has thus strengthen de demand-driven nature of the coffee global value chain global governance.

### *Sustainable label: A "forced opportunity" for strengthen national actors*

As a response to this new market demand emanating from consumer countries, producers and producers' organizations were pushed to adopt these labels to maintain their market share. However, in the studied countries, this has not modified drastically the national value chain governance toward more hierarchical governance driven by multinational. Instead, in the Latin American countries understudies, the national coffee value chains are still following a market, modular or relational governance mode.

### **Key factors to withstand transnational use of sustainability standard to enhance their power: National policies and regulations, and farmers' collective action capacities**

In the countries understudies, different factors enable the national value chain actors to overcome the risk of further empowerment of international multinational thanks to the sustainable coffee label development. In Costa Rica, national regulation as well as collective action (cooperative movement and creation of new cooperative consortium) enabled the small producers to adopt sustainable labels and include it has an additional tool to enhance their products marketing and added value. In Nicaragua, although public policies support was been limited, international cooperation supports enable cooperative movement to strengthen, increasing coffee quality and sustainable coffee standard adoption. In Colombia, strong cooperative movement enables a large adoption of sustainable standards including small producers.

## Discussion

Our analysis confirms the finding of Manning *et al.* (2012) regarding the importance of national contexts in the raise of sustainability labels. Furthermore, we identified some factors that enable to avoid transnational strengthening through sustainable label development.

Our finding contrasts with other studies conducted in Africa, such as Kenya (Le Coq *et al.*, 2011; Pinard *et al.*, 2011), where lack of farmers' organizations capacities and inappropriate national market regulations enabled the transnational firms to the promotion of sustainable coffee label to gain power in the national value chain.

The implications of the raise of sustainability labels on the GVC governance and especially the capacity for local actors to withstand transnational integration and power concentration though sustainable label promotion depend also on the characteristics of the commodity. Indeed, our observations on coffee contrast with the trends on other commodities such as banana or pineapple where transnational firms had further integrated productions (Vagneron *et al.*, 2009) and the raise of sustainability standards was not prone to provide new marketing opportunity or new added value to producers (van der Waal et Moss, 2013).

## Conclusion

The raise of sustainability labels in coffee markets tends to increase the demand driven governance of the coffee GVC. However, at national level, value chain governance is not strongly affected by the raise of sustainability label and local actors thanks to national regulation and/or collective action could withstand the upstream integration process of multinational and, even, could use sustainable label to reinforce their marketing capacities and market positions.

These conclusions, specic to coffee, underline the importance of sound policy and regulation as well as consolidation support to farmers' organizations to take advantage of new markets dynamics (here, the sustainability label demand) to promote small farmer integration in global markets.

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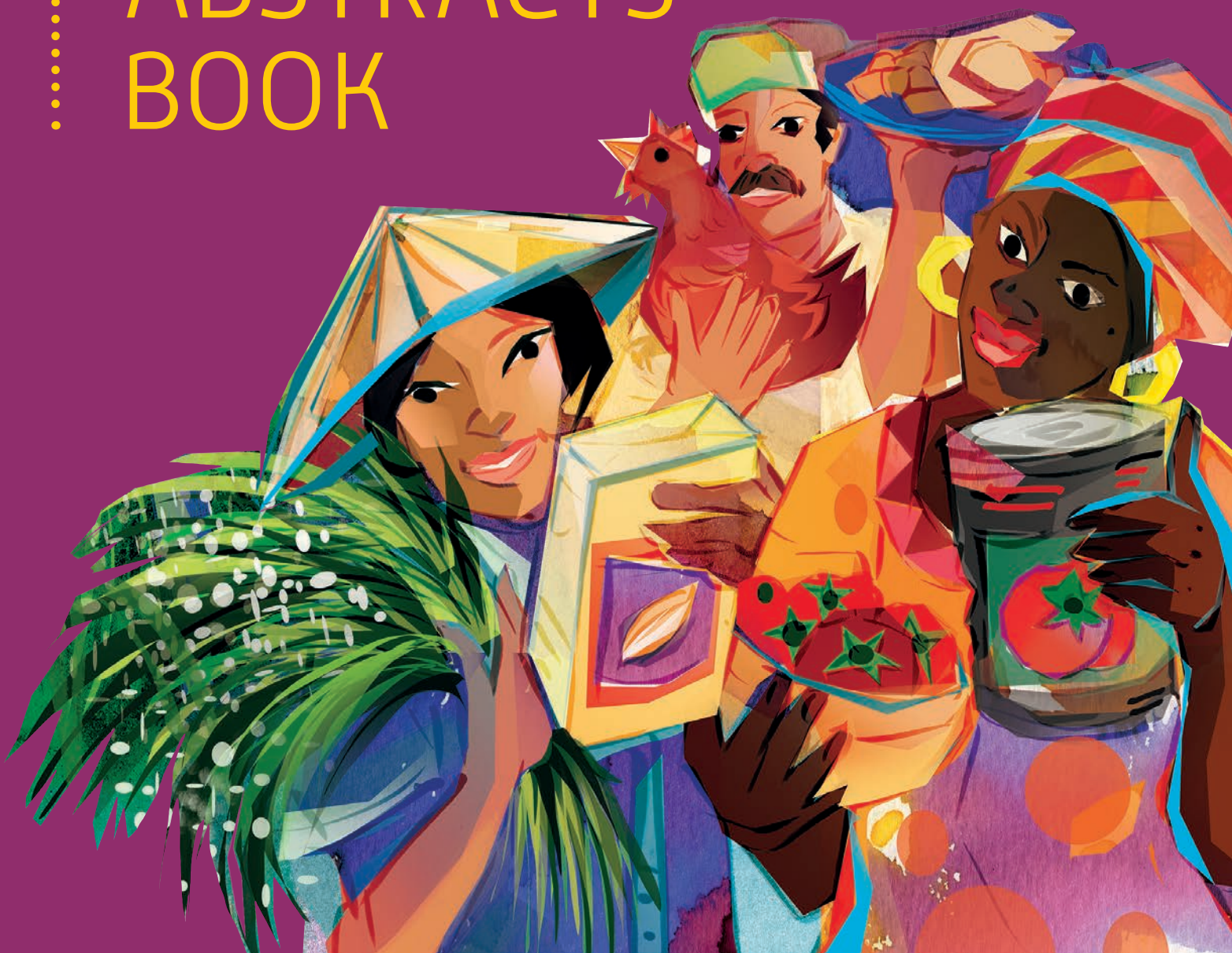


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Agri-Chains & Sustainable Development  
> *Linking local and global dynamics*

# ABSTRACTS BOOK



# WELCOME ADDRESS



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## Welcome to AC&SD 2016

On behalf of the Scientific and Organizing Committees, it is a great pleasure to welcome you to the International Conference on Agri-chains and Sustainable Development (AC&SD 2016). This conference aspires to widen the debate about the role of agricultural value chains towards sustainable development. Year 2015 was a critical political and diplomatic milestone: the member states of the United Nations signed a new agenda for development, with the 17 Sustainable Development Goals (SDGs) placing sustainability at the core of international efforts. Development and academic actors are since then exploring new avenues for translating the SDGs into reality and implementing global and local frameworks and partnerships. Our conference aims at joining these efforts, with the consideration that agricultural value chains form spaces where local and global challenges to sustainability connect and within which local and global actors experiment and negotiate innovative solutions.

The scientific committee has assembled a very attractive program for AC&SD 2016 that seeks to cover and confront the diversity of realities behind agri-chains, from localized chains, embedded in specific places, to global value chains. In the parallel sessions, transformations of these agri-chains and their connections to sustainable development will be discussed by speakers from the academia, the civil society, the private sector and decision makers. This multi-stakeholder perspective will also be brought about in the plenary sessions. Here, world renowned keynotes and panelists to three high level round tables will discuss about the role and importance of evaluation, public and private institutions and innovations at different scales for transforming agri-chains towards sustainability transitions.

This edition gathers about 250 participants from 39 countries. AC&SD 2016 owes a lot to the scientific and organizing committees for preparing the program, and particularly to Brigitte Cabantous, Chantal Carrasco and Nathalie Curiallet for all the logistics, as well as to our support team of Alpha Visa that we warmly thank for their help.

We wish us all a fascinating, successful, inspiring and enjoyable AC&SD 2016 and we very much look forward to its result and to the strengthening of both a scientific community and a community of practice to implement the outcome!!

Estelle Biénabe, Patrick Caron and Flavia Fabiano,  
Cirad Co-chairs AC&SD 2016

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